

## Debtors' Statement of Disputed Issues

### EXHIBIT N



2 August 2005

Mr Paul Pollack  
Global Supply Management  
Delphi Product and Service Solutions  
1441 West Long Lake Road  
Troy, MI 48098-5090

**Subject: t: Termination for Convenience Cost Recovery Claim**  
Reference: Celestica and Delphi PSS Meeting on July 7, 2005

Dear Paul,

Pursuant to Clause 11 of the Delphi General Terms and Conditions Celestica hereby submits to Delphi a comprehensive termination claim for excess material and non-recurring engineering charges resulting from the termination for convenience. This claim includes sufficient supporting data to permit an audit by Delphi and represents the actual costs of work-in-process non-recurring engineering charges and raw materials incurred by Celestica in furnishing the goods or services under this Contract. Celestica represents that this claim is based on costs that are reasonable in amount and are properly allocable or apportionable under generally accepted accounting principles to the terminated portion of this Contract.

The amount of work-in-process or raw materials which Celestica procured was based on Delphi authorized delivery releases in place at the time of termination less the value of material that Celestica was able to dispose of otherwise, as per the Delphi Material Commitment Authorization document attached as appendix 1. A summary of the costs due based on the termination are as follows:

NRE

At the time of the original quote submission Celestica had proposed a two stage payment for all tooling classified as NRE. This was based on a 50% upfront payment followed by 50% prior to start of volume manufacture. During subsequent discussions Celestica, accepted a Delphi proposal of 50% in three stages prior to volume build and 50% amortised over the first 150K units. In September 2004, Celestica made a further concession to extend the amortised period from 150K units to 300K units. At the same time Celestica agreed not to pass all the incurred tooling charges amounting to over \$1.2M but to set the Delphi tooling budget at \$680,768. In doing this Celestica absorbed the additional tooling charges and the extended finance charge for the amortised amount.

Based on Delphi termination for convenience Celestica should not have to wait until the end of the forecasted period for the 300K units to recover the outstanding amount, as was suggested during our meeting on July 7 2005. The agreed tooling was a requirement to produce the first product as well as the last unit. We therefore request payment for the following:

Agreed amortised value	\$340,384
Recovered in product sales	<u>\$ 93,790</u>
Amount due to Celestica	<b>\$246,594</b>

Excess Material

Celestica responded in a timely manner to both secure materials for significant increases to Matchbox orders and to mitigate excess materials for Delphi's subsequent reductions in those same orders. As Delphi is aware for over 60 days Celestica was requested to drive a material pipeline for 133K units. This firm order being subsequently reduced by Delphi to 83K units. Celestica as requested and as per Delphi scheduled releases pushed out material deliveries into year 2005 and maintained a pipeline in anticipation of Delphi transferring production to either Celestica China or an alternative source chosen by Delphi. Celestica received no other direction or confirmation from Delphi to take any other actions.

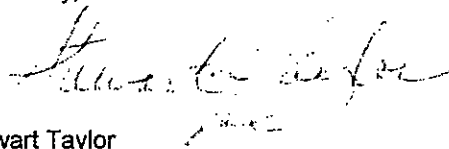
Celestica offered Delphi continuation of production from their Suzhou, China facility at the same price agreed with Delphi on September 1 2004. It was not until March 8, 2005 that confirmation was given to Celestica that the Matchbox program was being cancelled. Celestica, operating under the Delphi terms and conditions, was obliged to maintain order coverage for material as detailed in the Delphi schedules and only when notified that the program was cancelled did Celestica start its mitigation strategy. The net result of this was Celestica's ability to reduce Delphi liability from over \$2M to the amount shown below. As we discussed during our meeting on July 7, Celestica operated under Delphi's firm request to secure materials and as such Celestica holds Delphi liable. Celestica would also wish to draw to your attention to the e-mail between Celestica's Stewart Taylor and Delphi's Karen McClain on the topic of material liability, see appendix 3, where we have a clear statement from Delphi that it would accept material liability associated with the cancelled Matchbox program. Celestica therefore requests Delphi to honour its obligations and make the necessary arrangements to pay Celestica the amount of \$490,000 for the excess material and a battery cancellation charge of \$78846.00.

The detailed audit trail is contained in the attached appendixes.

Outstanding invoice

With respect to the outstanding invoice for 300 Matchbox units, Celestica requires Delphi to make an immediate payment of \$20,211.00 Celestica does not believe that it should be penalised for a failure in the Delphi system where it takes over four months to notify a supplier of a potential discrepancy in a delivery.

Yours truly,



Stewart Taylor  
Celestica Automotive

cc Karen McClain, Delphi, Joseph Domato, Delphi, Sharon Harancak, Delphi  
Dana Coin, Celestica, Peter Davidson, Celestica, Kerry Cater, Celestica

Attachments Appendix 1 – 9

## Appendix 1

## Delphi Material Commitment Authorization

Delphi Delco Electronics Corporation

### Material Commitment Authorization

**Commodity:** Electrical Active  
**Part Numbers:** Various

**Supplier Name/Address**

See Unique & Long	Lead-time addendum below

Various Locations

### Commitment Risk Factors for Cancellation and/or Significant Reduction of Planning Numbers

(Number of weeks/days @ Percent of Total Price)

Finished Goods: **4 weeks @ 100%**

In-Process Goods: **2 weeks @ 100%**

Raw Materials: **6 Weeks @ 100% (Delphi Delco use only parts identified at time of quote) plus the long lead time and unique components listed below**

### Tooling Responsibility:

### Lead Times:

Finished Goods: Based on Supplier Planning Document (SPD)

Procure Product:

Procure Raw Materials:

### Materials Commitment Authorization - General Terms:

- 1 Buyer shall provide Seller a monthly non-binding twelve (12) month rolling demand forecast.
- 2 Seller shall perform all commercially responsible steps and apply prudent purchasing practices to purchase and have on-hand only such materials, as are necessary to meet the forecast, taking into account flexibility and Finished Goods safety stock requirements.
- 4 Buyer will support Seller in the setting up of vendor managed inventory & flexibility programs for raw materials procured from Buyer controlled vendors.
- 5 Unless otherwise stated all finished goods deliveries to the Buyer hub will be made ex works
- 6 Buyer will compensate Seller for any purchase price premiums required to meet Buyer requested upsides that cannot be met through existing lead-time and flexibility programs. Seller will seek Buyer approval prior to incurring such expenses.
- 7 Buyer acknowledges liability for raw materials and finished goods as follows:
  - 7a Buyer shall be responsible for the excess and obsolete materials resulting from significant forecast drops or engineering changes, except to the extent that the Seller has been able, using its best efforts, to return excess or obsolete items of inventory to suppliers, or to reschedule or cancel its requirements, or find alternative sources of demand.
  - 7b Buyer will reimburse seller for all obsolete and excess materials that result from significant reductions in demand or engineering changes within 30 days of final materials disposition.

**Supplier Signature:**

**Date:**

**Buyer Signature:**

**Date:**

### Material Commitment Authorization (Cont'd)

**Project Name:**

**Identified Unique & Long Lead-time Components**

## **Appendix 2 Delphi release Schedule**



**Appendix 3 E-mail dated 3 March 2005**

"karen.a.mcclain"

<karen.a.mcclain@delphi.com>

03/03/2005 18:49

To: "Stewart Taylor" <staylor@celestica.com>, "Pollack, Paul " <paul.pollack@delphi.com>  
cc: "Peter Davidson" <pdavidso@celestica.com>, "Dana S Coin" <dscoin@celestica.com>  
, "Mark Ogden" <mogden@celestica.com>  
Subject: RE: Material disposition

Stewart, these actions appear to be reasonable. Paul will be contacting you with the future plans on the Matchbox program.

-----Original Message-----

**From:** Stewart Taylor [mailto:staylor@celestica.com]

**Sent:** Thursday, March 03, 2005 11:29 AM

**To:** Pollack, Paul ; McClain, Karen A

**Cc:** Peter Davidson; Dana S Coin; Mark Ogden

**Subject:** Material disposition

With the last of the Matchbox product now being produced and as we have not received confirmation from DPSS on future requirements, Celestica will be arranging with immediate effect, the dispositioning of any residual material. In the event that production was to start again it will be dependant on individual component leadtime. At the end of this exercise a list of material which was purchased against orders/ forecast that can not be dis-positioned will be provided to Delphi .for credit. We trust you agree with this action.

Regards

Stewart

---

**Stewart Taylor**

Business Development Director Automotive

**Celestica Limited**

8 The Heathery

Dunfermline KY11 8TS Scotland

Tel: Home Office +44 (0) 1383 625763

Fax: Home Office+44 (0) 1383 625763

Mob: +44 (0) 7748321905

Web: [www.celestica.com](http://www.celestica.com)

Email: [staylor@celestica.com](mailto:staylor@celestica.com)

---

# Appendix 4 (Excess Stock)

Item No	Item Dscrpn	Item Prmry Vendor Std Name	L/T DAYS	qty per	QTY	EXTENDED
DST001794	MATCHBOX CABLE OVERMOULD ASSEMBLY-CABLE	TYCO	63	1	19600	\$ 90,160
DST001702	Low power FM stereo IC, QFN40-LINEAR SPE	PHILIPS SEMICONDUCTOR	119	1	35386	\$ 79,619
DST001700	MICROCONTROLLER, QFN48-MICRO CONTROLLER	FREESCALE SEMICONDUCTOR	126	1	37900	\$ 71,631
DST001805	Headphone-ELECTRO MECH SUB ASM	DAESUNG ELECTRIC	91	1	1780	\$ 30,153
DST001727	BATTERY CHARGE MANAGEMENT IC WITH FETS,	TEXAS INSTRUMENTS	167	1	18500	\$ 26,455
DST001734	XTAL, 13MHZ, SMT, 13PF LOAD CAP., 4 SMT-	RALTRON ELECTRONICS	105	1	53000	\$ 22,790
DST001764	Single-supply Dual Op-Amp, VSSOP-8-LINEA	TEXAS INSTRUMENTS	154	2	35000	\$ 22,050
DST001731	Right-angle SMB PCB Jack-CONNECTOR RECEP	AMPHENOL	63	1	27360	\$ 21,614
DST001857	4-POSITION JOYSTICK SWITCH-SWITCH MECH -	C & K COMPONENTS	63	1	32000	\$ 12,160
DST001897	30-pin vertical FPC connector-CONNECTOR	MOLEX	70	1	28700	\$ 10,045
DST001899	THERMAL FORMED PLASTIC, TOP-PACKAGING BL	STEPHEN GOULD	28	1	23000	\$ 9,200
DST001706	Low-voltage variable capacitance diode,	PHILIPS SEMICONDUCTOR	66	2	54000	\$ 8,280
DST001864	CAP, 1210, 20%, X7R, 22uF, 10V-CAPACITOR	KEMET ELECTRONICS	77	1	36000	\$ 8,280
DST002000	THERMAL FORMED PLASTIC, BOTTOM-PACKAGING	STEPHEN GOULD	28	1	20010	\$ 8,004
DST001741	4MHZ CRYSTAL RESONATOR, SMT, 16PF, MIN -	AVX	125	1	30000	\$ 7,920
DST002001	INSERT, PACKAGING-PACKAGING CARD	STEPHEN GOULD	28	1	20200	\$ 5,959
DST002006	4.25MM PROBE-PIN SMT BATTERY CONNECTOR W	SUYIN CONNECTOR	49	2	10800	\$ 5,940
DST001867	2W stereo amp with volume control-LOGIC	TEXAS INSTRUMENTS	119	1	4000	\$ 5,000
DST001705	Dual 250mW audio PA with shutdown, SOP8-	NATIONAL SEMICONDUCTOR	91	1	17500	\$ 4,725
DST001753	COVER,MIDDLE (CHASSIS)-PLASTIC PART CUST	CUSTOM PLASTICS	70	1	2124	\$ 4,605
DST001827	Trench power MOSFET, 3.3A, 12V, SOT363-T	ON SEMICONDUCTOR	49	2	61149	\$ 4,464
DST002033	Picture of Ready-PACKAGING CARTON	STEPHEN GOULD	28	1	53000	\$ 3,445
DST001806	AC/DC Power Adapter Brick-POWER SUPPLY G	HON-KWANG ELECTRIC	49	1	1591	\$ 3,102
DST001862	INDUCTOR, SMT, 10UH, 1.84A, 0.049 OHM-IN	SUMIDA	70	1	11250	\$ 2,925
DST001891	M1.6x4 self-tapping screw, 3.0mm pan hea	IRWIN INDUSTRIAL	91	2	106000	\$ 2,862
DST001823	5-pin right-angle header, PTH-CONNECTOR	MOLEX	21	1	21000	\$ 2,730
DST001890	1-32 * 4MM 6-LOBE (6) PAN HEAD 48-2 WB T	QUALITY SCREW & NUT	147	2	82165	\$ 2,218
DST002007	Right-angle header-CONNECTOR HEADER	MOLEX	42	1	53000	\$ 2,157
DST001892	200mA adjustable LDO, SOT23-6-LINEAR VOL	TEXAS INSTRUMENTS	35	1	8060	\$ 2,015
DST002015	5-pos 0.100 ribbon cable-CABLE ALL	MOLEX	42	1	45000	\$ 1,890
DST001829	0603 ESD CAPACITOR-CAPACITOR CERAMIC	BUSSMANN	84	6	65000	\$ 1,885
DST001854	Triple common-mode choke coil, 100mA, 0.	MURATA ELECTRONICS	63	2	7600	\$ 1,824
DST002029	EMI shield clips-CLIP METAL	AUTOSPICE	14	4	24100	\$ 1,687
DST002031	BAR CODE CARD-PACKAGING CARD	STEPHEN GOULD	120	1	22693	\$ 1,589
DST001732	3.5mm miniature audio jack-CONNECTOR REC	DIGI-KEY	49	1	7450	\$ 1,393

35 PART NUMBERS ON DELPHI CLAIM ( BOM WAS >120 PINS )

12 PINS REPRESENT 80 % OF THE VALUE

OF THESE 12 PINS THE LEAD TIME IS AVG 93 DAYS

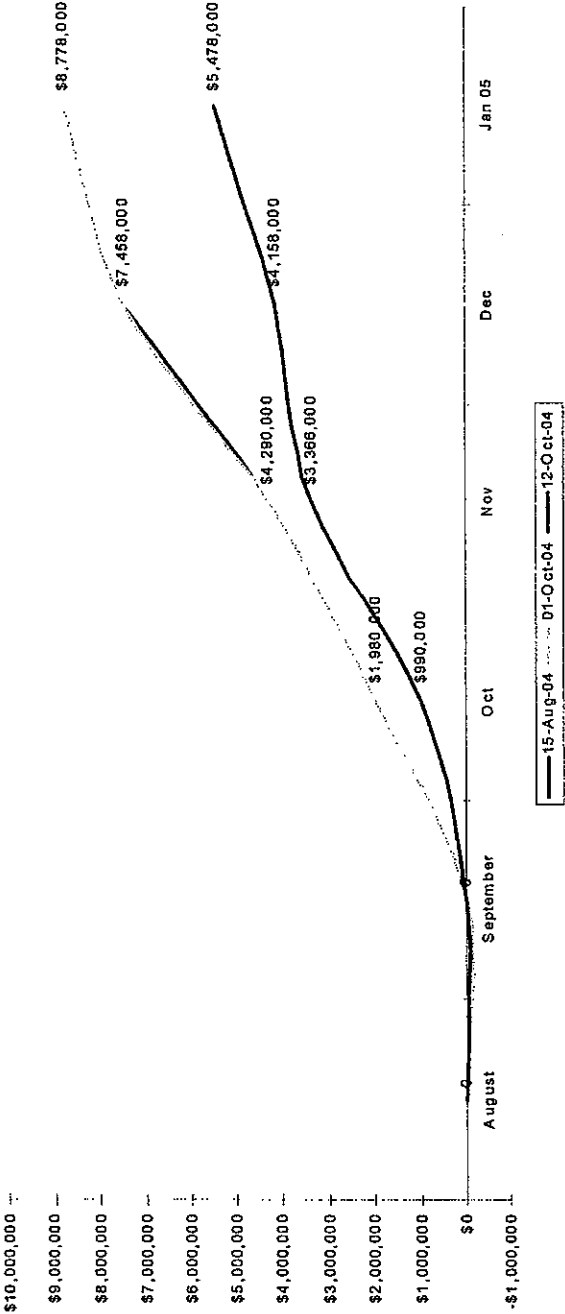
AVERAGE LEAD TIME OVERALL IS 74 DAYS

NO PART HAS A BLANCE ON HAND GREATER THAN THE CANCELLED DEMAND

Appendix 5 PO History

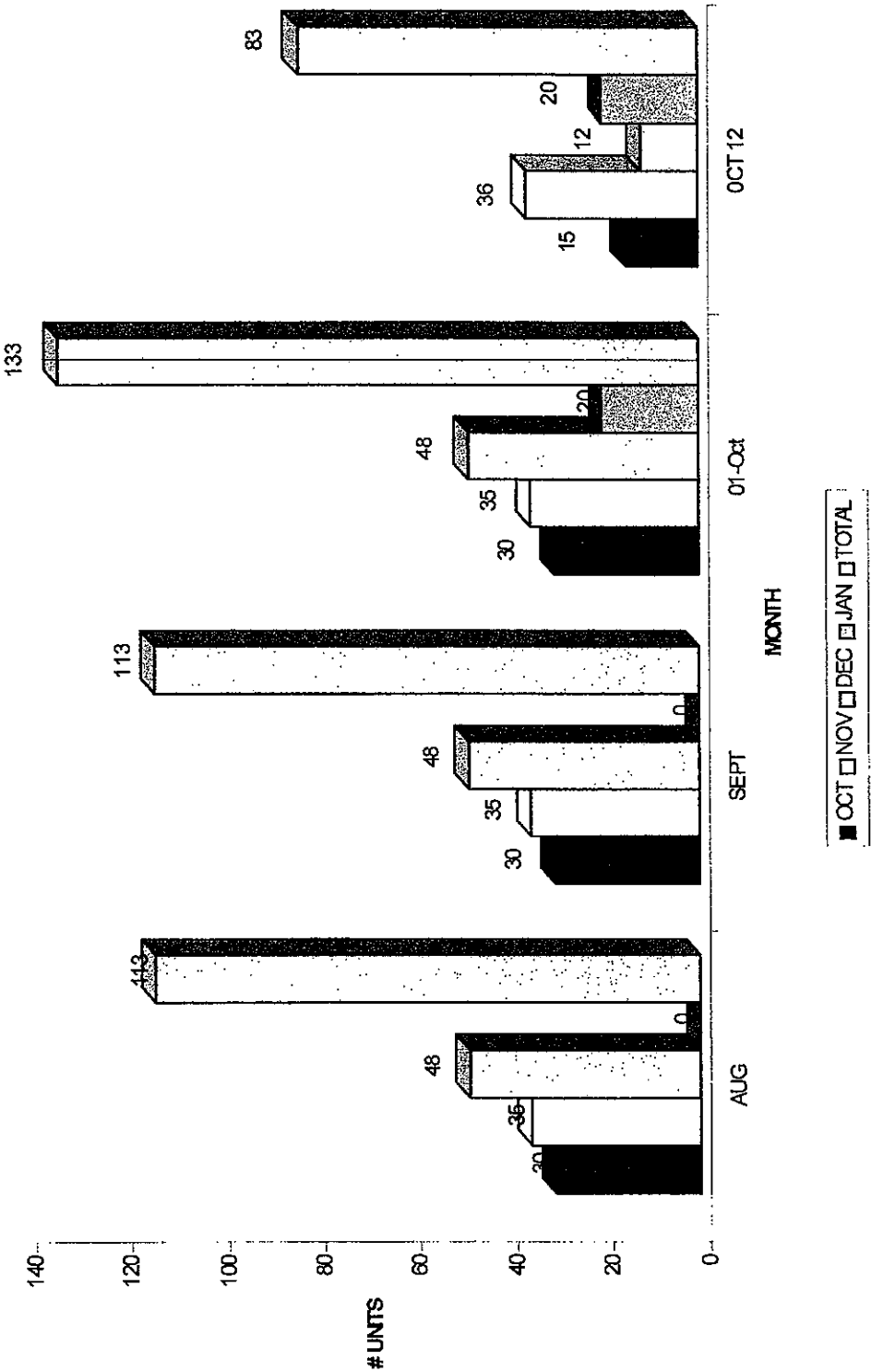
ORIGINAL FIRM POS RECEIVED 8/15 : 113,000 UNITS, APPROX \$ 7.5 M MATERIAL SPEND  
ADDITIONAL PO RECEIVED ON 10/01 FOR 20,000 MORE UNITS, \$1.3 M MATERIAL SPEND. NOW AUTHORIZED TO PROCURE \$8.8 M,  
BASED ON L/T  
NOTIFIED OF PO CANCELLATIONS ON 10/12. REDUCED UNITS TO 83,000 FROM 133,000, EXPOSING APPROX \$3.3 M IN MATERIAL  
LIABILITY

MATCHBOX PO \$ HISTORY



Appendix 6 Delphi Order schedule

PO HISTORY UNITS IN 000s



## Appendix 7 Timetable

15-Aug	CLS MONTERREY LOADS FIRM CUSTOMER ORDERS FOR 2004, 113,000 UNITS
02-Sep	CLS TORONTO STAFF TRAVELS TO CMX TO TRANSFER OPEN POS, AND INVENTORY
01-Oct	DELPHI FIRMS UP JAN 2005, ADDING AN ADDITIONAL 20,000 UNITS TO THE MATERIAL REQUIREMENTS: 133,000 FIRM ORDERS (Pos) WITH CLS
12-Oct	DELPHI REDUCES THE FIRM ORDERS TO 83,000 CONTINUES TO FORECAST DEMAND FOR 2005, AT APPROX 15, 000 PER MONTH
DEC/JAN	DISCUSSION RE TRANSFER TO LOW COST GEOGRAPHY
20-Jan	S. TAYLOR DOCUMENTS TO P. POLLACK RE MOVE TO CHINA, ASKS FOR A RESPONSE BY 1/30
26-Jan	CSU PERSONNEL ON SITE TO DISCUSS TRANSFER
8 -Feb	P. POLLACK RESPONDS INFORMING CELESTICA THAT A DECISION WILL TAKE AN ADDITIONAL 8 WEEKS
15 -Mar	DELPHI INFORMS CELESTICA THAT THE PROGRAM IS TO END ON COMPLETION OF 83k UNITS
16- Mar	CELESTICA KICKS OFF MITIGATION OF MATERIAL PIPELINE

Appendix 8 Mitigation results

APPROX BOM COST		
30K PIPELINED FOR 59 DAYS	\$66.00	
20K UNITS PIPELINED FOR 11 DAYS	\$1,980,000.00	
PO REDUCTION UNITS	\$1,320,000.00	
	50000	
MITIGATION BASED ON 50K REDUCTION		
MATERIAL EXPOSURE ( \$ & % )	\$ 3,300,000.00	100%
CLS AVOIDANCE EFFORTS	\$ 2,660,000.00	81%
CLS INTERNAL REDISTRIBUTION	\$ 150,000.00	5%
DELPHI MATERIAL CLAIM	\$ 490,000.00	15%
MITIGATION BASED ON 30K REDUCTION		
MATERIAL EXPOSURE ( \$ & % )	\$ 1,980,000.00	100%
CLS AVOIDANCE EFFORTS	\$ 1,340,000.00	68%
CLS INTERNAL REDISTRIBUTION	\$ 150,000.00	8%
DELPHI MATERIAL CLAIM	\$ 490,000.00	25%

## Appendix 9 Breakdown of battery cancellation charge

"Nancy Chen"  
<nancy.chen@bydamerica.com>  
12/13/2004 03:03 PM

To: "Adrian Dizon" <adizon@celestica.com>  
cc: "Aggie Cabral" <acabral@celestica.com>, "Edward Kitaura" <ekitaura@celestica.com>, "Gautam Sheth" <gsheth@celestica.com>, "Helen Yu" <helen.yu@bydamerica.com>, "Wang, Robert" <robert.wang@bydamerica.com>, "Susan Li" <susanli@celestica.com>  
Subject: Re: ORDER STATUS UPDATED

Hi, Dear Adrian

How are you doing today?

Per our conversation last Friday, following please kindly find the status of the on-going order and the cost of cancellation.

1. order quantity: 131K  
shipped out quantity: 60K  
quantity of the shipment will be sent out this early week: 23K  
**balance of the order: 48K**
2. because some of the materials have been purchased as our inventory, here will be the cancellation cost as below. Please refer to.
  - 1) PCB/NTC: US\$ 67,620.00
  - 2) plastic housing: USD1,430.00
  - 3) plastic raw material: USD 9,796.00

By the way, Adrian, whether we also need to stop the modification on the texture of the plastic housing surface? Please advise.

Thanks and looking forward to hearing the decision from you ASAP.

Best regards

Nancy